GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:289
ANSWERED ON:08.08.2003
EXPORT OF SERVICE SECTOR
AVSM, BRIG.(RETD.) KAMAKHYA PRASAD SINGH DEO

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether a large number of Indian Engineering Consulting Companies are exporting their services;

(b) if so, the countries to which services are being exported alongwith the value of export and employment potential generated during the last three years;

(c) the status of competitiveness of these companies in the global market;

(d) the steps taken by the Government to improve competitiveness by way of subsidies and exemption of service tax;

(e) whether any long-term strategy for market friendly export of such services is being considered; and

(f) if so, the details thereof?

Answer

MINISTER FOR COMMERCE AND INDUSTRY (SHRI ARUN JAITLEY)

(a) to (f) A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO. 289 ANSWER ON 8TH AUGUST, 2003 REGARDING EXPORT OF SERVICE SECTOR

(a) & (b) A large number of Indian Engineering consulting firms have been exporting their services in sectors like power, transportation, water supply, sanitation, infrastructure, housing etc. The details of the total value of consultancy exports during 2000-01, 2001-02, 2002-03 alongwith the names of the countries and the employment potential generated are as under:

Name of the Countries	Value of Contracts Secured (in Rs. Crores)	No. of Persons deployed
Saudi Arabia	200.62	914
Nigeria	197.09	1718
Malaysia	137.40	95
Qatar	62.30	87
Algeria	39.81	38
Kuwait	37.70	510
Columbia	29.16	9
Iran	16.80	26
Mongolia	12.72	34
Turkey	10.74	24
Ethiopia	7.06	7
Bangladesh	6.51	7
UAE	4.56	91
Uganda	1.19	6
Total	763.66	3566

Source: Exim India, Mumbai

(c) The competitiveness of engineering consulting companies is decided by the availability of contemporary technology with them as well as successful implementation of the same at economical prices. Indian companies do not always have the latest available

technologies and also the financial strength to handle large sized projects. Therefore, they have to face very stiff competition from the technologically advanced countries. Though the Indian consultancy firms have undertaken a range of consultancy assignments in varied sectors, often in challenging markets overseas, they are unable to penetrate to the desired extent.

(d) For promoting services, a new scheme known as Duty Free Entitlement Certificate Scheme for service providers has been announced in the Exim Policy on 31.3.03, which allows duty free imports on the basis of the average foreign exchange earned by the service provider in the preceding three years. The Duty free import can be used for import of spares, office equipments, furniture, professional equipments and consumables other than agriculture and dairy products.

Government also extends financial assistance to consultancy exporters for some identified export promotion activities under the schemes of Market Development Assistance and Market Access Initiative. The Exim Bank of India, operates programmes for sponsoring and part financing Indian consultants for providing consultancy services to private sector Small & Medium Enterprises in developing countries under the `Technical Assistance Programme` of International Finance Corporation (IFC), Washington D.C. and other International agencies.

The Service Tax on export of services was recently withdrawn vide ST Circular No. 56/5/2003 dated 25/4/2003 of the Ministry of Finance, Department of Revenue.

(e & f) Realising the need to promote services exports particularly in areas where India has competitive advantage, the Task Force on Project Exports has identified the following strategies to promote export of project consultancy services.

1. Constitution of High Level Standing Committee to ensure co-ordinated support to promote exports. The Committee will also consider taxation and related issues for facilitating project exports including consultancy services

2. Streamlining and Capacity Building of Indian Missions Overseas to improve their delivery mechanism and support system and also to set up Project Facilitation Cells to assist Indian project exporters including consultancy exports.

3. Strengthening of Exim India and Export Credit Guarantee Corporation to provide necessary financial support at internationally competitive terms and conditions.